

Testimony of Mr. Chat Phillips
President of the Catfish Farmers of America
Before
The Appropriations Subcommittee on Agriculture

Good Morning Madame Chairwoman and members of the Committee. Thank you for this opportunity to testify before the Appropriations Subcommittee for Agriculture, Rural Development, Food and Drug Administration and related agencies. My name is Chat Phillips, I am a catfish farmer from Yazoo City, Mississippi and President of the Catfish Farmers of America.

Catfish Farmers of America was established in 1968 to represent the U.S. Farm-Raised Catfish industry, which is now the largest aquaculture industry in the nation. Based in Indianola, Miss., Catfish Farmers of America represents catfish farmers, processors, feed mills, research and other entities involved in the industry. The states of Mississippi, Alabama, Arkansas and Louisiana account for 95% of commercial catfish production in the United States. CFA has over 800 members, located in more than 20 states. The US catfish industry is a critical component of the agricultural economy in many states and employs thousands of workers – including family farmers – in a region that lacks employment opportunities. This vertically integrated industry processed well over 600 million pounds of fish annually prior to the onslaught of Asian imports. With the multiplier effects as provided by nationally respected economists, the total economic value of our industry was close to \$3 billion annually.

The domestic farm-raised catfish industry is very transparent. By that I mean, US farm-raised catfish which are raised for consumer consumption can be traced throughout the production and marketing chain. The catfish industry has employed rigorous protocols to assure that any particular lot of catfish can be traced from the consumer's plate all the way back to the production pond of origin and every step along the way. The ponds are highly maintained and monitored with only limited use of approved treatment regimes. The product that we produce is safe and healthy.

The American people have grown to trust U.S. Farm-Raised Catfish, and made it a part of their "healthy diet". Catfish is America's sixth most popular seafood and seventy percent of this product is consumed in restaurants. Furthermore, U.S. Catfish is the number one aquaculture, or farmed fish in our country.

In recent years, the US catfish industry has been seriously threatened by imported frozen fish fillets from Asia. This problem began with Vietnamese exporters flooding the market with unfairly priced products falsely labeled as catfish. Our industry was so seriously damaged by these trade practices, that in 2003, the US Department of Commerce and the International Trade Commission issued an anti-dumping order against Vietnam.

However, even with tariffs in place, Vietnam continues to expand its exports to the United States. China has now become a major exporter of catfish. Beginning in 2004,

China began to export limited quantities of catfish to the United States, but in late 2006, Chinese export volume surged dramatically. By the end of 2006 China had sent 14 million pounds of frozen fillets of catfish and catfish-like species to the United States.

Catfish imports have increased by 600 percent over five years and in the last year alone, there has been a 304 percent increase from China. This import surge from China has continued into 2007 and by the end of May this year, importers had brought into the US market over 14.3 million pounds of Chinese catfish and like species, more than the record volume they had imported in all of 2006. By the end of May, Chinese imports had captured 18 percent of the market (up from only 4 percent for the same period in 2006, and only 2 percent for all of 2005).

The surge in Chinese imports has cost us more than market share. The Chinese have made inroads by pricing their fish well below the price of US fillets. On average, in 2006 Chinese frozen fillets of catfish were brought into the US market at prices that were about 33 percent below the price of domestically produced fillets. In 2007, that differential has increased to over 39 percent. This price differential is the result of not only the very low wage rates in China, but also because the Chinese government has targeted aquaculture as a growth sector. These factors, coupled with currency valuation practices that are beneficial to exporters, along with China's lack of enforcement of health and safety standards has created an extremely difficult situation for our industry.

The combination of these factors has led to widespread exit from domestic production. Over the past five years, the domestic catfish industry has fought to compete with the

import market with little success. The unfair playing field has had an enormous impact on our industry. Catfish producers are shutting down. There are now 18 percent fewer acres producing catfish as compared with 2002. There is documented proof of 221 catfish farms going out of business in recent years. I can personally attest to the fact that this number is growing with each passing day.

As it has been widely reported the Food and Drug Administration (FDA) currently inspects less than 1 percent of all imports. As the representative for the industry, I respectfully suggest the FDA will *never* be capable of fully assuring the safety of imported catfish. By its own admission, the FDA has repeatedly claimed that no amount of appropriations can ever assure 100 percent inspection of imports. While we commend the FDA for its issuance of the recent import alert on seafood from China, that alert has been examined by other Committees in the US House of Representatives and US Senate and has been found to be inadequate for protecting the consumer. However, many states are eager to take on the responsibility of inspecting imported catfish. CFA believes that a pilot program between state regulatory bodies and the FDA allowing for state inspection of catfish would better protect the consumer, while allowing for further examination of best practices at the FDA by the Congress.

Consumer confidence in imported catfish will also increase with a requirement of traceability. By that I mean tracing the product back to its production pond of origin as we as domestic producers are able to do. This will allow for greater control over the

product and elimination of those producers in the import market who are subjecting the American people to unsafe catfish.

Furthermore, the American consumer deserves Country of Origin Labeling in restaurants. As you well know, Federal law requires that seafood sold in grocery stores be labeled by its country of origin, yet there is no corresponding requirement for fish served in restaurants. Applying this law to restaurants will better allow the consumer to make educated choices about the foods they are consuming. It is by no means a cure-all, but a recent poll sanctioned by the Catfish Institute indicated that 96 percent of consumers want to know the origin of the catfish that they consume in restaurants. Other national polls have also made it resoundingly clear that US consumers are demanding the right to make informed decisions that the food they order is safe to eat. We are not saying that fairly traded catfish should not be imported, but that it needs to be raised in a manner which ensures a safe product that is clearly labeled so that the consumer knows what they are purchasing.

The impact of Chinese catfish has not only negatively impacted our market share and profitability, but the image of our brand. The US Farm-Raised Catfish industry has spent the better part of three decades growing our acreage and developing our markets. Our farmers have contributed tens of millions of dollars which have successfully been used in advertising and consumer awareness programs. The purpose of this is to assure the American public that US Farm-Raised Catfish is safe, healthy, and delicious. Now, with the onslaught of the tainted Chinese fish, and the absence of labeling requirements in

restaurants, consumers cannot sit down to a catfish meal with any level of confidence. Some restaurants are proudly indicating on their menus that they serve only U.S. Farm-Raised Catfish. We hope more will do so. But in the meantime, the huge quantity of Chinese catfish which is tainted with fluoroquinilones, an illegal antibiotic, and malachite green or crystal violet, both known carcinogens, is entering the U.S. market and diminishing consumer confidence in catfish. We have just embarked on a new marketing campaign where U.S. Farm-Raised Catfish is labeled “SAFETY YOU CAN TRUST”. This message is being paid for by U.S. Farmers and targets restaurant patrons in an effort to distinguish ourselves from the imports. But this effort will only help to the extent that restaurants voluntarily participate. The law does not require that consumers be informed of the origin of the seafood they order in a restaurant.

Madame Chairwoman and Members of the Committee, I am here today to ask that importers of catfish play by the same rules that domestic producers must play by in order to protect our industry and the American consumer. This can only be accomplished with the proper support from Congress. I thank you for this opportunity to appear before you and am prepared to answer any questions you might have.